

Message Text

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ACTION EB-07

INFO OCT-01 EUR-12 EA-07 ISO-00 ERDA-05 AID-05 CEA-01

CIAE-00 CIEP-01 COME-00 DODE-00 FEAE-00 FPC-01 H-02

INR-07 INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-04

USIA-06 SAM-01 OES-03 SP-02 SS-15 STR-04 TRSE-00 PA-01

PRS-01 /100 W

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R 161212Z JAN 76

FM USMISSION EC BRUSSELS

TO SECSTATE WASHDC 307

INFO ALL EC CAPITALS 1544

AMEMBASSY ANKARA

AMEMBASSY BERN

AMEMBASSY MADRID

AMEMBASSY OSLO

AMEMBASSY OTTAWA

AMEMBASSY STOCKHOLM

AMEMBASSY TOKYO

AMEMBASSY VIENNA

AMEMBASSY WELLINGTON

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E.O. 11652: N/A

TAGS: EEC, ENRG

SUBJECT: EC ENERGY POLICY: TOUR D' HORIZON

REFS: LONDON 562, EC BRUSSELS 102, EC BRUSSELS 413,

1. SUMMARY. THE EC COMMISSION HOPES TO APPROVE SEVERAL ASPECTS OF
A COMMON ENERGY POLICY INCLUDING MSP AND EMERGENCY SHARING PROGRAMS
AT A MEETING ON JAN 16. THESE WOULD BE CONSIDERED BY A COUNCIL OF
ENERGY MINISTERS IN FEB. THE EC COMMISSION DIRECTOR GENERAL FOR
ENERGY IS ANXIOUS TO WORK OUT AN ARRANGEMENT FOR TIMELY COORDINATION

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WITH THE US PRIOR TO THE CIEC OPENING SESSION ON FEB 11, AND

BEYOND. END SUMMARY.

2. IN AN INITIAL CALL ON NEWLY INSTALLED COMMISSION DIRECTOR GENERAL FOR ENERGY WILLIAMS, THE DCM OBTAINED A RUNDOWN ON THE COMMISSION'S EFFORTS TO PUT TOGETHER A COMMUNITY ENERGY POLICY AND COMMUNITY PREPARATIONS FOR THE CIEC.

3. COMMUNITY ENERGY POLICY. ACCORDING TO WILLIAMS, IT IS LIKELY THAT AT ITS JAN 16 MEETING THE COMMISSION WILL BE ABLE TO APPROVE A PACKAGE ON ENERGY WHICH WILL BE CONSIDERED BY THE EC COUNCIL OF ENERGY MINISTERS AT A STILL UNSPECIFIED DATE IN FEB.

4. THE MAIN ELEMENTS OF THE PACKAGE WILL BE A COMMUNITY MSP SCHEME AND A PROPOSAL TO GIVE THE COMMUNITY POWERS FOR ENERGY SHARING AND CONSERVATION IN THE EVENT OF AN OIL EMERGENCY. WILLIAMS CONSIDERS THE ENERGY SHARING PORTION OF THE PACKAGE TO BE THE MORE IMMEDIATELY IMPORTANT ELEMENT. IT WILL PERMIT THE COMMUNITY TO IMPLEMENT PROCEDURES IN AN EMERGENCY WHICH WILL BE PARALLEL TO THOSE ALREADY AGREED ON BY THE EIGHT IN THE IEA AND WILL ALLOW THE COMMUNITY TO ACT IN AN EMERGENCY SITUATION IN A WAY THAT WILL BE CONSISTENT WITH THE TREATIES.

5. WILLIAMS BELIEVES THAT THE FRENCH ARE NOW FIGHTING A REAR GUARD ACTION AND HAVE ESSENTIALLY GIVEN THE GREEN LIGHT TO THE GENERAL LINE TAKEN IN THE COMMISSION'S PROPOSALS IN THESE TWO AREAS. IT IS IMPORTANT TO THEM, HOWEVER, THAT THEIR AGREEMENT TO AN MSP AND A SHARING SCHEME, WHICH THEY HAD PREVIOUSLY RESISTED, NOT STAND IN ISOLATION. HENCE, THE EFFORT BY THE COMMISSION TO INCORPORATE THESE ELEMENTS AS PART OF THE BROADER PACKAGE.

6. ON THE MSP WILLIAMS SAID HE THOUGHT THE TECHNICAL DIFFICULTIES SUCH AS HOW TO TREAT IMPORTS FROM THIRD COUNTRIES AND THE DEFINITION OF IMPORTED OIL (REF ONE) WERE MANAGEABLE. ON THE FIRST QUESTION THERE WERE A NUMBER OF ESCAPE CLAUSES WHICH THE COMMUNITY COULD USE IN THEIR AGREEMENTS WITH THIRD COUNTRIES. IT WAS SIMPLY A MATTER OF SORTING THROUGH THE MAZE AND CHOOSING THE RIGHT PARAGRAPHS OF THE AGREEMENTS. ON THE QUESTION OF THE DEFINITION OF IMPORTED PRODUCTS HE THOUGHT THE GERMANS WERE BEGINNING TO COME AROUND. THEY HAD ALREADY AGREED TO INCLUDING MOST OF THE HEAVY END OF THE BARREL BUT WERE STILL BALKING AT THE INCLUSION OF LIMITED OFFICIAL USE

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PETROL AND NAPHTHA.

7. WILLIAMS SAID THAT THE COMMISSION WOULD ALSO PROBABLY APPROVE JAN 16 A SERIES OF MEASURES ON THE RATIONAL USE OF ENERGY BUT HE WAS FAIRLY DISPARAGING ABOUT THEIR SIGNIFICANCE. HE DESCRIBED THEM AS NOT VERY COMPREHENSIVE AND MORE OR LESS OBVIOUS.

8. IN THE LONGER RANGE WILLIAMS SAID THE COMMISSION IS WORKING

ON A PROGRAM TO GUARANTEE SPECIFIC INVESTMENTS IN MAJOR ENERGY PROJECTS BUT HE SAID THERE WAS STILL MUCH WORK TO BE DONE. HE DESCRIBED THE PAPERS CURRENTLY FLOATING AROUND THE COMMISSION AS BEING HALF-BAKED. HE NOTED THAT ZARB HAD TOLD HIM IN LONDON THAT THE US WAS WORKING ON ITS OWN INVESTMENT GUARANTEE PROPOSALS AND THAT THE COMMISSION WOULD WELCOME AN OPPORTUNITY TO EXAMINE THESE. IT WAS A COMPLICATED PROBLEM AND A POOLING OF IDEAS WOULD BE USEFUL. IT WAS NECESSARY, FOR EXAMPLE, TO STRIKE A BALANCE BETWEEN PROVIDING MEANINGFUL GUARANTEES TO INDUSTRY WITHOUT PROTECTING INDUSTRIES ACROSS THE BOARD AGAINST NORMAL COMMERCIAL RISK. WILLIAMS SAID THAT THE COMMISSIONERS WERE NOT YET PREPARED TO ACCEPT THIS ASPECT OF THE PACKAGE AND THAT IT WOULD BE MONTHS OR EVEN YEARS BEFORE SUCH A MECHANISM COULD BE BROUGHT TO THE ACTION STAGE.

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9. CIEC. WILLIAMS WAS EMPHATIC ON THE IMPORTANCE OF COORDINATION AMONG THE EIGHT INDUSTRIAL PARTICIPANTS IN THE CIEC AND PARTICULARLY BETWEEN THE US AND THE COMMUNITY. SPECIFICALLY, HE THOUGHT IT WOULD BE VERY HELPFUL IF THE COMMUNITY AND THE US COULD EXCHANGE VIEWS ON SUBSTANCE PRIOR TO THE OPENING SESSION ON FEB 11 AND OPTIMALLY PRIOR TO THE IEA GOVERNING BOARD MEETING ON JAN 29-30. HE SAID SUCH AN EXCHANGE WOULD PERMIT THE EIGHT EC IEA MEMBERS TO ATTEMPT TO ALIGN THEIR VIEWS WITH US VIEWS PRIOR TO THAT MEETING. DCM NOTED THAT BOSWORTH WOULD BE IN PARIS ON JAN 26 FOR THE MEETING OF THE CIEC CO-CHAIRMEN AND TOLD WILLIAMS THAT HE WAS PREPARED TO SUBMIT TO BOSWORTH THE POSSIBILITY OF COMING TO LIMITED OFFICIAL USE

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BRUSSELS BETWEEN THAT MEETING, WHICH HE ASSUMED WOULD ONLY LAST A DAY OR A DAY AND A HALF, AND THE IEA GOVERNING BOARD MEETING.

10. WILLIAMS WAS RECEPTIVE TO THE IDEA OF SUCH AN EXCHANGE AND SAID THAT PERHAPS HE WOULD BE ABLE TO MEET BOSWORTH IN PARIS. HE WAS NOT SURE, HOWEVER, WHETHER COMMUNITY THINKING WOULD BE FAR ENOUGH ALONG BY THEN FOR HIM TO RECIPROCATATE AND PASS COMMUNITY VIEWS TO BOSWORTH AND HE WAS RELUCTANT, AS HE PUT IT, TO WASTE BOSWORTH'S TIME IF THIS WERE THE CASE. IDEALLY HE SAID THE US GOVERNMENT MIGHT BE ABLE TO PROVIDE THE COMMUNITY WITH SOME POSITION PAPERS EVEN PRIOR TO JAN 26 BUT HE FULLY RECOGNIZED THAT THE US GOVERNMENT ALSO WOULD UNDOUBTEDLY HAVE PROBLEMS IN PUTTING TOGETHER ITS SUBSTANTIVE POSITIONS BY THAT TIME. IT WAS LEFT THAT WE WOULD STAY IN CONTACT ON THE BEST WAY TO COORDINATE BETWEEN NOW AND FEB 11.

11. IN MORE GENERAL TERMS, WILLIAMS STRESSED THE IMPORTANCE OF CONTINUING COORDINATION. HE NOTED THAT IT WAS HELPFUL IF THIS DID NOT ALWAYS TAKE PLACE JUST PRIOR TO MEETING WITH THE OTHER NINETEEN. IDEALLY, THERE SHOULD BE ENOUGH TIME TO MAKE AN EFFORT TO ALIGN THE VIEWS OF THE INDUSTRIAL EIGHT PRIOR TO THEIR BEING TABLED IN THE VARIOUS COMMISSIONS. HE BELIEVED THIS COULD BEST BE DONE BY AD HOC ARRANGEMENTS RATHER THAN FORMAL PROCEDURES IN THE IEA OR THE OECD.

12. HE RECOGNIZED THE IMPORTANCE OF KEEPING THE NEGOTIATING POSITIONS OF THE INDUSTRIAL COUNTRIES CONFIDENTIAL BUT HE THOUGHT IT WOULD BE POSSIBLE TO DRAFT POSITION PAPERS WHICH WOULD NOT OUTLINE THE NEGOTIATING AND FALLBACK POSITIONS BUT RATHER TALKED IN TERMS OF OPTIONS.

13. WILLIAMS STRONGLY SUPPORTS OUR VIEW THAT THE COMMISSIONS SHOULD ONLY MEET FOR TWO OR THREE DAYS AND THEN BREAK FOR FOUR WEEKS OR SO. THIS FORMAT WOULD SIMPLIFY THE COORDINATION TASK. ALTHOUGH

MINOR CHANGES IN POSITION COULD TAKE PLACE DURING THE MEETINGS THEMSELVES, MAJOR MOVEMENT WILL ONLY BE POSSIBLE DURING THE INTERVAL BETWEEN COMMISSION MEETINGS.

14. WILLIAMS CONFIRMED THAT THE MAIN COORDINATION POINT FOR THE COMMUNITY'S CIEC POSITIONS WOULD BE THE COMMITTEE OF PERMANENT REPRESENTATIVES IN BRUSSELS. WHILE ACKNOWLEDGING THAT THIS WAS A LIMITED OFFICIAL USE

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SOMEWHAT CUMBERSOME PROCEDURE, HE BELIEVED IT WOULD BE ADEQUATE TO THE TASK. AS TO HIS OWN ROLE, HE SAID HE INTENDED TO INTERPRET HIS MANDATE VERY BROADLY UNTIL HE WAS BROUGHT UP SHORT BY SOMEONE.

15. WILLIAMS REITERATED THE RESERVATION WE HAVE HEARD ELSEWHERE AT THE COMMISSION (REF TWO) ABOUT ONE MAN'S PLAYING THE ROLE OF BOTH CO-CHAIRMAN AND NATIONAL REPRESENTATIVE. HE SAID THIS COULD BE DONE MORE EASILY IF THE COMMISSION MEETINGS WERE CONDUCTED ON AN INFORMAL BASIS BUT HE THOUGHT THAT THE REPRESENTATIVES OF THE NINETEEN ON THE COMMISSIONS WOULD INSIST ON A HIGHLY STRUCTURED FORMAT WHICH WOULD CONSIDERABLY COMPLICATE THE JOB OF SOMEONE ATTEMPTING TO WEAR TWO HATS. GREENWALD

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